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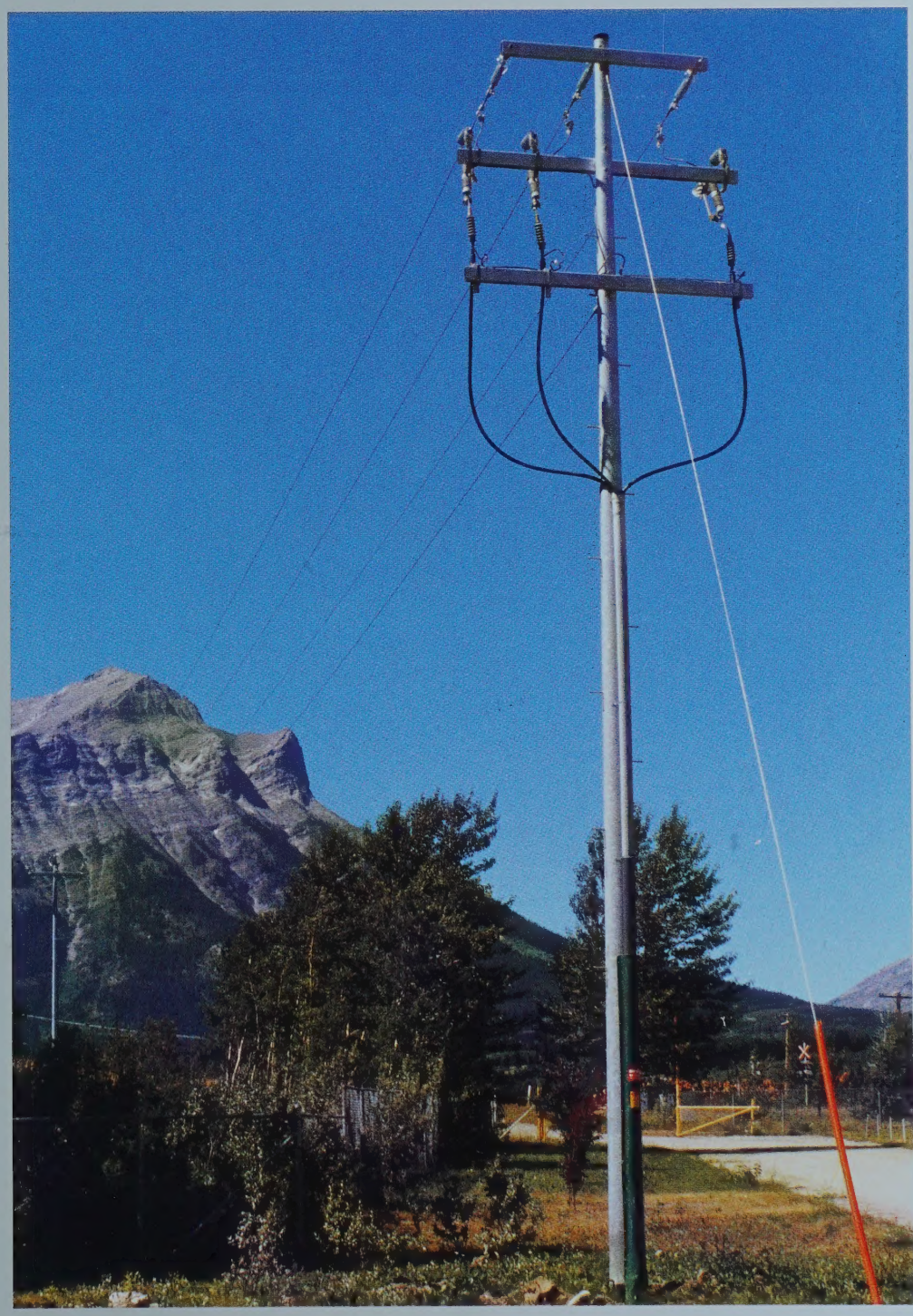
INTERNATIONAL UTILITY STRUCTURES INC.



1995 Annual Report

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Annual and Special Meeting

The Annual and Special Meeting of Shareholders will be held at 9:00 a.m. on Wednesday, May 22nd, 1996 at Bennett Jones Verchere, Suite 4500, 855 Second Street South West, Calgary, Alberta in the Bennett Boardroom.

An informal meeting will be held for all interested parties at 4:00 p.m. on Thursday, May 23rd, 1996 at the King Edward Hotel located at 37 King Street East, Toronto, Ontario in the Windsor Room. Shareholders and other interested parties are encouraged to attend.

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CORPORATE PROFILE

International Utility Structures Inc. ("IUSI") is a publicly traded Canadian company based in Calgary, Alberta. The Company manufacturers and sells round tapered steel electrical distribution and telecommunication poles, commonly referred to as hydro poles or telephone poles.

IUSI utilizes a proprietary production process to produce unique, high quality, environmentally friendly, round tapered steel poles that are marketed to utilities throughout North America.

The Company's objective is to create shareholder value by establishing its steel poles as the standard pole used by utilities, creating a market share leadership position as the dominant supplier of steel distribution poles.

IUSI's common shares are listed on the Alberta Stock Exchange trading under the symbol IUS.

PRESIDENT'S LETTER

Dear Fellow Shareholder,

I am pleased to have this opportunity to write to you for the first time since International Utility Structures Inc. ("IUSI") became a public company on November 23, 1995. This past year has been pivotal for IUSI. We are now well positioned to address our future growth as a result of establishing a solid capital base with the proceeds of our initial public offering.

The Company's first full year of operations with its new technology brought success in market penetration and product acceptance by North American utilities. We further expanded our marketing and technical services group to properly support the increased sales activity we are experiencing in the marketplace. We are in the process of broadening our product offering to include Class 2 light duty transmission structures in the 40 to 70 foot range due to the high level of customer interest generated as a result of our marketing successes with our Class 3 and Class 5 product lines. Our achievements in 1995 have IUSI optimally situated for its next stage of development.

Our objective is to establish the environmentally friendly IUSI steel electrical distribution and telecommunication pole, manufactured using our proprietary process, as the standard pole used by utilities. This will enable IUSI to achieve a market share leadership position as the dominant world-wide supplier of steel distribution poles.

IUSI commenced operations in 1991, manufacturing multi-sided steel electrical distribution poles using a conventional submerged arc welding process that was certified for welding speeds of up to 5.5 feet per minute. During 1992 and 1993, the Company's manufacturing operation was devoted mainly to completing an 84,000 electrical distribution pole contract with a Philippine government agency. While we were manufacturing for this overseas contract, IUSI invested significant engineering and financial resources in the research and development of a new high speed, high volume process to manufacture high quality round tapered steel poles at an extremely low cost. Our market research had indicated that an

economically priced and environmentally friendly steel distribution pole alternative to chemically treated wooden poles provided a remarkable and timely growth opportunity. The marketplace further confirmed that round tapered geometry, not multi-sided, was a requirement to ensure full compatibility with the existing pole line hardware which the utility had in inventory.

By December of 1993, IUSI had completed development of its new manufacturing system and applied for approval and certification of the process by the Canadian Welding Bureau ("CWB"). This certification was mandatory for our poles to qualify for use by utilities. Due to the unique and advanced nature of our process, CWB undertook a comprehensive testing procedure and granted final approval in late September of 1994. This certification allowed IUSI to weld its round tapered poles at 78 feet per minute. Following further system enhancements, IUSI's process was re-certified in August 1995 to a new welding speed of 146 feet per minute - more than 25 times faster than the conventional poles welding process used previously by IUSI.

"To waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed."

– Theodore Roosevelt

The Company's marketing efforts for 1994 and 1995 were focused on developing the North American market for its steel poles. Marketing to the utility industry can be a prolonged process because utilities generally require several departments to approve a new product before it qualifies for use in their

operations. We must demonstrate the advantages of steel poles to engineering, purchasing, field installation and general management before poles can be installed in their system.

Our first step was to develop a network of agents throughout the United States who already had a long-standing relationship with the utilities. By the end of 1995, we had agreements with 24 sales agencies with over 80 agents.

Significant marketing success was achieved in 1995. From a base of practically no customers near the end of 1994, we have now supplied poles to over 150 North American utilities. Our continuing product acceptance is shown by the repeat orders we are receiving and the interest being shown in discussing strategic alliance relationships.

In a very short period of time, IUSI's products have become known to virtually every utility in North America. Presentations at the major trade shows have been well attended because utilities are looking at our steel pole as a cost-effective, environmentally friendly alternative to chemically treated wood poles.

Another thrust in our market development efforts was to increase the marketing and technical support for our sales agents. By the beginning of 1996, IUSI had six regional sales managers in place, each with significant experience in the sales and marketing of products to utilities. A utility engineer, with electrical distribution experience, was also added at head office to provide technical support.

We have built an excellent marketing infrastructure to enable IUSI to penetrate the electrical distribution pole market and achieve a greater share of this six to eight million pole market.

In 1995, IUSI also made progress in designing the new Class 2 steel pole. This is a heavier pole used for light duty transmission. Because the Class 2 pole is taller and heavier than the distribution poles, IUSI's steel poles are significantly lighter and much lower cost than the competing western red cedar wood poles.

When we launch the product in mid 1996, IUSI should be able to capture a large share of the market which is estimated to be at least 300,000 poles per year.

Developing our marketing network, raising capital through the initial public offering and building the base for future growth were our prime objectives. 1995 was the first full year of operations with our new technology and product. Pole sales increased to 4,870 in 1995 from 963 in 1994. In both years, many of the sales were in small quantities to evaluate and test this new type of pole. Revenue increased to $2.4 million from $600,000 in 1994 due to the higher sales volumes. A loss of $3.6 million ($0.46 per share) was reported this year compared with a loss of $630,000 ($0.09 per share) for 1994. This loss was expected and was related to the costs of developing our marketing network and building product acceptance. In addition, transportation costs were high due to both our steel suppliers and the majority of our customers being in the eastern or southern United States or eastern Canada. Production costs and manufacturing overhead per unit were high because the fully staffed and functioning manufacturing plant was operating well below its production capacity.

IUSI's manufacturing facility in southern Alberta was well located to manufacture poles shipped to the Philippines because steel could be shipped from the east and finished poles shipped on to the west coast. However, the majority of our growing customer base is in the eastern and southern United States and eastern Canada. To reduce transportation costs associated with steel supply and pole deliveries to customers, IUSI announced on March 25, 1996, that it is relocating its manufacturing plant to Arkansas to be close to suppliers and customers. In addition to the significant transportation cost savings, we expect that this location will assist in our marketing efforts with U.S. utilities.

We will close the Alberta plant by mid April and be operating in our 102,000 square feet facility in Arkansas before the end of May. IUSI's head office will remain in Calgary, Alberta.

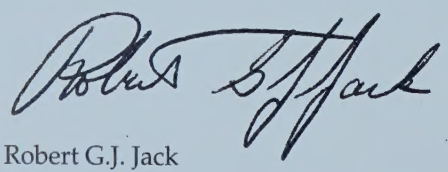
A key component of our operation is to ensure all aspects related to our product and manufacturing process are environmentally friendly. For example, the IUSI poles use recycled steel and, at the end of their estimated 80 year life, they are recyclable again. IUSI is currently running a joint advertising campaign with Nucor Steel, the major US steel company supplying our steel, that highlights the environmental aspects of the IUSI pole made from recycled Nucor steel.

The environmentally friendly features of IUSI poles contrast with the growing environmental concerns associated with chemically treated wood poles which leach chemicals into the surrounding soil and ground water.

IUSI has taken a number of important steps which position it to embark on a period of sustained growth. Our solid financial position with no debt, expanded marketing infrastructure and relocation of the plant close to suppliers and major markets are all key factors which provide a strong foundation for the significant expansion of our business. The environmental benefits of the IUSI steel pole should become an increasingly important competitive advantage in achieving a greater share of the electric distribution pole market.

IUSI has a small, strong, dedicated team of employees committed to capitalizing on the growth opportunities in our markets to increase our share value. Their efforts, along with the support of our suppliers and customers, have contributed to IUSI's progress over the past year.

Respectively submitted on behalf of the Board of Directors,



Robert G.J. Jack

President & Chief Executive Officer

March 25, 1996

IUSI steel poles replac
a line of chemically
treated wood poles.

Street lighting arms ar
readily added to the IU
steel pole.

The standard accessories used on distribution poles can be used on IUSI steel poles.

Strategies For Growth

IUSI has developed a comprehensive strategy to provide the foundation and framework for long term growth. The Company's key objective is to continue its development as a technology driven, high growth business, supplying steel electrical distribution and telecommunication poles to stable, financially sound recession-resistant customers. IUSI's key strategies are:

Quality Product

Produce a high quality steel pole from high grade steel, using a technically advanced production process, utilizing a well trained work force and an active program of quality assurance.

Customer Service

Provide outstanding customer service by satisfying customers' unique requirements and engineering needs both before and after sale of the pole.

Improve Productivity

Continue to improve the production process by enhancing existing equipment and processes and by a continuous development of new technology. IUSI will maintain an on-going research, development and engineering group to keep its manufacturing process on the leading edge of technology.

Product Line

Expand the Company's product line to include the longer and stronger light-duty transmission poles to complement our existing distribution pole product line.

Plant Location

Locate production facilities close to IUSI's steel suppliers and customer base to optimize operating efficiencies.

Marketing Network

Expand the existing U.S. network of sales agencies, develop a global marketing system and expand and strengthen the engineering and technical sales support group.

Strategic Alliances

Continue to develop formal strategic alliance relationships with key suppliers and major customers.

Environmental Benefits

Stimulate heightened awareness, within utilities and responsible government agencies, of the growing environmental issues associated with the continued use of wood poles (that are treated with chemical preservatives and pesticides and deplete forests) and at the same time highlight the need to begin a concentrated program to move to environmentally beneficial alternatives, with IUSI's environmentally benign steel pole as the leading alternative.

Life Cycle Costs

Emphasize that IUSI steel poles provide the most cost effective alternative by instilling life-cycle cost analysis as one of the key pole purchasing evaluation criteria within the electricity and telecommunications industries.

By applying these strategies, the Company can achieve its objectives of establishing IUSI's steel electrical distribution and telecommunication poles as the standard pole used by utilities and gaining a market share leadership position as the dominant world-wide supplier of steel distribution poles.

MARKETS

IUSI's products are manufactured for the electrical distribution and telecommunications market, a significant global market.

The North American installed base of electrical distribution and telecommunications poles is estimated at 175 million poles with an annual demand for six to eight million poles. This represents an annual market estimated at $2.5 billion. The U.S. market is approximately 20 times the size of the Canadian market.

The distribution of electricity and telecommunications is an essential requirement for future economic growth in developing countries and this requirement has resulted in strong world-wide demand for poles. The global market is estimated by the Company at 20 to 25 million poles per year or approximately $5.5 billion. The value of the global market is estimated to be less on a per pole basis than for North America because requirements outside of North America and Western Europe are generally for shorter poles.

There are approximately 3,000 electrical utilities in the United States, 350 in Canada and 5,000 to 5,500 in the rest of the world. These utilities are generally regulated, state or investor owned, with strong credit profiles.

Many utilities in North America are looking for low cost, environmentally benign poles from a reliable source of supply. Most are investigating alternatives to chemically treated wood poles.

IUSI steel poles are lightweight and stack easily for effective shipment.

IUSI attends all national and regional trade shows. The display at the recent National Transmission and Distribution Show in the U.S. attracted inquiries from many utilities.

PRODUCTS

IUSI manufactures high quality round tapered steel electrical distribution and telecommunication poles. These types of poles are frequently referred to as telephone or hydro poles. The Company sells poles in lengths from 25 feet to 65 feet. Poles up to 45 feet are produced as single pieces whereas longer poles are produced in two sections by slipping a 40 foot or 45 foot pole on a 12.5 or 22.5 foot steel ground-stub pole section.

IUSI poles are designed to standard classifications applicable to poles of all types of material. Class 1 poles are the strongest and Class 7 are the lightest. The stronger poles carry heavier loads of electrical power lines. Currently, IUSI manufactures Class 3 and Class 5 poles, the classes which represent the highest volume of poles used in North America. The Company is developing a Class 2 pole and it is expected that this product line will be launched before the end of the second quarter of 1996. The Class 2 pole is made with heavier gauge steel and is referred to as a light duty transmission pole. IUSI's Class 2 product line will be built in lengths from 40 feet to 70 feet.

As is shown in the accompanying photographs, a variety of accessories can be attached to IUSI steel poles. Cross-arms, transformers, insulators and street lighting, or a combination of them, are added separately by the utility company. The standard accessories that are used on wood poles can be used on IUSI's steel pole.

Product Advantages

IUSI's round tapered steel poles compete with wood, concrete and fibreglass/composite poles as well as with multi sided steel poles manufactured with conventional welding technology. The high freight and installation costs associated with concrete and the expensive raw materials and production costs required for fibreglass/composite have resulted in a small market share for poles made from these materials. Other steel pole manufacturers do not compete effectively in the markets in which IUSI operates.

Chemically treated wood poles have traditionally been the main product used for electrical distribution and telecommunication poles. With the introduction of the new IUSI steel pole, an increasing number of utilities are recognizing the environmental, technical and financial advantages of the Company's product when compared to treated wood. These include:

Stand-off insulators used on a line of IUSI steel poles.

Environmentally Benign: In order to protect against rapid deterioration, wood poles are treated with chemical preservatives and pesticides that are considered hazardous substances in many jurisdictions. These preservatives and pesticides are coming under increasing regulatory scrutiny due to their leaching from the pole into surrounding soil and ground water. Several jurisdictions have banned the use of these chemicals and others, such as Canada, are reviewing the use of these preservatives as well as the disposal of treated poles. Steel poles are non-toxic and treated with environmentally benign protective coatings. Rather than being hazardous waste on disposal as are wood poles, steel poles can be recycled. Use of steel poles avoids soil remediation costs. The use of wood poles continues to deplete forest reserves while new IUSI steel poles are manufactured from recycled steel;

Transformers and cross-arms are easily attached to steel poles utilizing holes pre-drilled by IUSI.

Longer Life: A major utility has estimated that IUSI's steel poles have an estimated service life of up to 80 years. Over the expected life of a steel pole, a wood pole has to be replaced at least once and possibly two or more times. The installation cost of a wood pole is typically equal to or greater than the price of an IUSI steel pole;

Lighter Weight: IUSI's round tapered pole has a higher strength rating than the equivalent class of wood poles and weighs approximately 40% less than an equivalent wood pole. This allows for easier handling and installation and reduces transportation costs;

Uniformity: IUSI steel poles are manufactured to standard, verifiable strength and certified material conformance. Consequently, IUSI's poles consistently exceed the load performance capability for which they are designed. Variability in wood integrity has required that higher safety factors be applied to wood distribution structures. Wood pole characteristics can vary significantly from pole to pole. In a recent study by the research group at a large Canadian utility, it was found, in destruction testing, that wood strength for new growth trees was lower than for older growth trees;

Aesthetics: Wood poles lack uniformity in colour, size and straightness. A steel pole has a consistent, controlled and attractive appearance;

Reduced Inventory Costs: Utilities have historically committed to wood pole purchases up to several years in advance due to the lengthy lead times caused by raw material availability, processing and curing. Due to possible emergency needs and limited availability in certain species, sizes and classes, utilities have typically maintained considerable wood pole inventories and incurred the related carrying costs. Since IUSI steel poles are manufactured to order and can be produced with short lead time, utilities can greatly reduce their inventory levels by converting to the IUSI steel pole; and

Financing: IUSI has established a leasing program through a financial company that enables purchasers to lease poles on a truckload basis. By leasing, the utility reduces the higher initial cost of poles and incurs a fixed lease rental payment.

Manufacturing Process

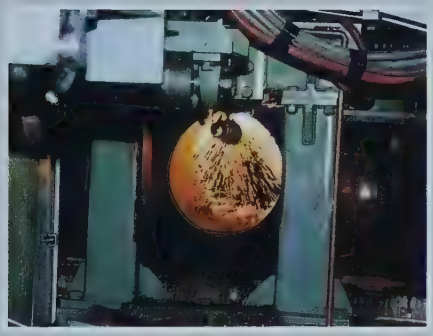
IUSI's production line is mainly an automated continuous process from the uncoiling of the steel to the finished pole. Steel is uncoiled, slit and cut into trapezoidal pieces, formed into tapered tubular blanks and fed into IUSI's proprietary, high technology electric resistance welding system. The completed round tapered pole goes to an automatic drilling machine which makes holes for the attachment of accessories. The pole is then shipped to third party galvanizers or moves to the Company's coating line for the application of an inert inorganic zinc silicate protective coating.

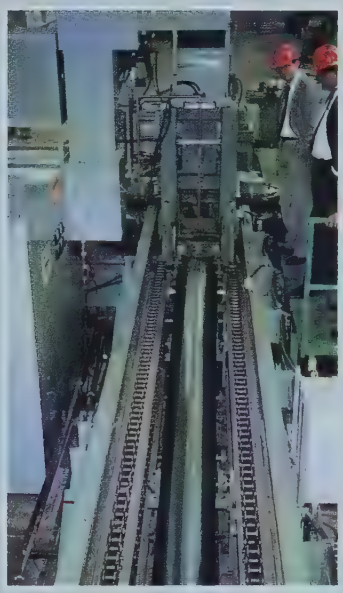
IUSI utilizes state-of-the-art technology and incorporates programmable logic controls for the key steps in its process. IUSI high speed welding technology is a unique new proprietary process. This welding technology enables the Company to weld round tapered steel poles at speeds up to 146 feet per minute, over 25 times faster than conventional welding.

Pole blanks are formed and ready to be fed into the high speed welding machine.

An intense electrical current heats the metal to 1300°C, fusing the seam and forming a round tapered pole at over 25 times the rate of conventional technologies.

Steel is uncoiled, flattened, cut to length and slit into two trapezoidal pieces to be formed into poles.





A welded pole leaves the high speed welder for the end trimming and hole drilling stations.

These panels control the high technology welding process.

1995 Operations

Manufacturing

In 1995, IUSI manufactured 4,870 poles at its plant in southern Alberta. Over 65% of these poles were delivered to the United States and approximately 70% of the poles sold were either 40 or 45 feet in length. This production level reflects a very low percentage of the single shift capacity of this plant.

Market Development

In 1995, IUSI focused on increasing its penetration into the North American market which requires an estimated six to eight million poles annually. A key objective at this stage of the Company's marketing program is to have each utility complete a technical evaluation of the Company's pole so that it becomes an approved standard product eligible for the utility's tender process. IUSI is making considerable progress in this area. Presentations have been made to virtually every major utility in North America. As well, our presence at all national and regional electrical distribution trade shows has attracted a large number of inquiries which are being pursued.

In the United States, it takes time to achieve acceptance by the utilities for a new technology product from an unfamiliar supplier. To facilitate IUSI's ability to penetrate this utility market, the Company has established relationships with 24 U.S. sales agencies with approximately 80 agents, most of whom have long standing relationships with utilities. The activities of these sales agents are supported by IUSI's six regional sales managers. In the United States, there are approximately 3,000 electrical utilities. The smaller Canadian market is serviced directly by IUSI staff.

IUSI steel poles now have been delivered to over 150 utilities in Canada and the United States. Frequently, the number of steel poles initially purchased by a utility has been small as it tests the new product to determine that it satisfies all requirements. IUSI is encouraged by the fact that most customers have either placed repeat orders or have indicated that they intend to do so.

IUSI developed a machine to drill up to 100 holes simultaneously. Utilities use the holes to mount accessories.

Technology and Engineering

IUSI's engineers have developed most of the manufacturing process and key components of the equipment utilized by the Company. In 1995, a system to automatically position the tapered pole blanks in the forming process improved unit cycle times, increased operator safety and reduced operating crew fatigue; a new automatic drilling system was built to enable the simultaneous drilling of up to 100 holes for accessory attachments on a pole; and the inorganic coating process was automated and streamlined to reduce cycle times.

For 1996, a number of projects have been identified to improve material handling, reduce cycle times and improve efficiencies.

Environment and Safety

IUSI's manufacturing system neither uses hazardous materials nor produces hazardous emissions or by-products. The Company is committed to pro-actively ensuring safe operating practices throughout the plant. Employees receive safety training and periodic safety reviews are conducted.

The uniform size of the round tapered steel pole enables effective bundling for safe transportation.

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes.

IUSI manufactures and sells round tapered steel electrical distribution and telecommunication poles that are new products to utility companies. The proprietary manufacturing process used to produce these poles was developed by IUSI during 1992 and 1993. For IUSI's pole to qualify as an approved product for North American utilities, the welding process had to be certified by the Canadian Welding Bureau ("CWB"). The CWB certification program began at the beginning of 1994 but due to the complexity and uniqueness of IUSI's new technology, it was not completed until September 27, 1994. Therefore, for the first nine months of 1994, the Company was unable to sell its poles to the utilities. In the fourth quarter of 1994, utilities began to purchase the IUSI steel pole, usually in small quantities for testing and evaluation. In 1995, IUSI concentrated on developing the North American market, introducing its new round tapered steel pole into a market dominated to date by chemically preserved wood poles.

On November 23, 1995, IUSI completed its initial public offering, issuing 3,845,000 common shares and 2,127,500 warrants for net proceeds of $15.4 million (after commissions and other expenses of the offering). Each warrant entitles the holder to purchase one common share at $5.25 before January 1, 1998.

The Company subdivided its shares outstanding on September 27, 1995, on an 11 for one basis. This subdivision has been reflected in the financial statements as at the beginning of 1994 for comparative purposes.

Results of Operations

Sales: Poles sales increased to 4,870 in 1995 from 963 in 1994. This increase reflects the initial penetration into new markets in 1995, the Company's first full year of manufacturing poles utilizing its new process. The 1994 results reflect the sales after the welding process was certified on September 27, 1994.

These production levels resulted in sales revenue of $2.2 million for 1995 compared to $600,000 for 1994. These revenue amounts are net of sales commissions and freight to customers. The 1995 revenue includes $378,000 from sales to China of inorganic coating materials used to prevent the corrosion of steel. In 1994, virtually all sales to utilities were in small quantities for evaluation and testing. The evaluation process by utilities continued into 1995. As the year progressed, IUSI began to see repeat orders as some Canadian and US utilities installed IUSI steel poles in their distribution systems.

Cost of Sales: The $2.4 million in cost of sales for 1995 included $2.2 million to manufacture poles and $265,000 for coating materials sold. Manufacturing costs reflect the transportation expense to bring steel from suppliers in eastern North America as well as the fixed wages and overhead that were incurred notwithstanding low levels of plant utilization.

The $337,000 shown as cost of sales for 1994 is the cost to manufacture the 963 poles sold.

Gross Profit: In 1995, a negative gross profit of $274,000 was reported compared with a gross profit of $308,000 in 1994.

The Company's steel suppliers are in eastern North America and the majority of its customer base is in eastern North America and the southern United States. Because of the distances from both customers and suppliers, IUSI incurred significant transportation costs. Until the plant is relocated closer to suppliers and customers in the second quarter of 1996 (see subsequent event note 8 to the consolidated financial statements), IUSI expects the high transportation costs associated with the current plant location to continue. The Company believes the relocation will enable it to compete more effectively in the marketplace and accelerate its market penetration.

For the early part of 1995, the Company incurred higher costs to drill and apply the inorganic coating to the pole because the systems were not automated. During the year the drilling and coating systems were enhanced to improve efficiencies. The automation of these systems will continue in 1996.

During 1995, IUSI's manufacturing facility continued to operate well below production capacity, resulting in a high cost per pole produced. To lower its cost per pole, the Company requires longer production runs of the various sizes of poles to reduce changeover time and limit product handling.

Plant Operating Cost: Indirect plant operating costs increased to $902,000 in 1995 from $314,000 in 1994. This increase is entirely the result of the plant being in operation for all of 1995 compared to only part of 1994. Indirect salaries and wages, shop supplies, utilities and maintenance all increased due to the higher activity level.

Selling and Administration Expenses: Selling and administration expenses increased in 1995 to $2.4 million, from $2.1 million in the prior year. The Company expanded its sales force in 1995 and selling expenditures, associated with the expanded U.S. marketing activity, increased. The selling expenses for 1994 and 1995 reflect the long term investment that is required to build new markets and achieve market acceptance for the IUSI pole. Administration expenses for 1995 increased due to the additions and related expenses required to establish the administrative infrastructure for the projected expansion of IUSI's operations in 1996.

Interest and Other Income: Interest and other income fell to $115,000 in 1995 from $255,600 in 1994. This decrease was the result of lower interest rates for funds on deposits in 1995 and the one time $58,000 gain recorded in 1994 on the settlement of a defective product claim with a supplier.

Depreciation and Amortization: Depreciation and amortization for 1995 increased to $691,000 from $281,000 in 1994. For 1994, depreciation was recorded

only for the last four months of the year because production did not begin until late in September 1994.

Deferred Income Tax Recovery: Note 7 to the consolidated financial statements shows the expected tax recovery for 1995, at a tax rate of 44.6%, to be $1.9 million. The $1.3 million difference between this expected recovery and the recovery of $563,000 reported on the Consolidated Statement of Operations, represents the benefits from losses that are carried forward to subsequent years and can be applied against future income tax provisions.

Loss: For 1995, the loss reported was $3.6 million compared with a loss of $630,000 in 1994. On a per share basis, the 1995 loss was $0.46 based on 7,862,685 weighted average shares outstanding compared to $0.09 last year based on 7,221,852 weighted average shares outstanding.

Liquidity and Capital Resources

On November 23, 1995, IUSI completed its initial public share offering, raising $15.4 million (net of commission and issue expenses) through the issue of 3,845,000 common shares and 2,127,500 warrants to purchase common shares. In October, the Company raised $190,000 through the issue of preferred shares.

Source and Use of Funds: In 1995, IUSI applied part of the proceeds from its share issues to repay the $1.2 million loan from the Western Economic Diversification Fund; invested $821,000 into equipment and product development; paid preferred share dividends of $166,000; and used $3.5 million in its operating and market development activities.

Financial Position: As a result of the public share issue in 1995, the Company strengthened its cash position, ending the year with cash and short term investments of $14.2 million and no debt.

The Company has committed to move its manufacturing facility to Batesville, Arkansas, in the second quarter of 1996 at an estimated cost of $1.2

million. An additional $3.5 million has been budgeted for new equipment, enhancement of the existing equipment, improvements to the manufacturing process and product development. These expenditures will be funded from the existing cash on hand.

Business Risks: IUSI is manufacturing a new product as an alternative to a well established existing one. While the market for electrical distribution and telecommunications poles is well developed, steel poles do not hold a significant share of the market at this time. Steel distribution poles manufactured by competitors are significantly more expensive than alternative poles and used only in specialty situations. Poles produced by IUSI using its new manufacturing process are cost competitive with alternative poles in the short term and have a cost advantage over the long term. The Company faces the usual business risks of dislodging an existing product to gain market share. IUSI believes that its new proprietary manufacturing process to produce cost effective, environmentally-friendly steel poles gives it a competitive advantage over chemically treated wood poles which have dominated the market for many years.

As a manufacturing company, IUSI faces the normal business risks including steel price volatility and transportation costs.

Steel accounts for approximately 50% of IUSI's production costs. Prices for steel are determined on a worldwide basis and are outside the Company's control. The availability of coiled steel in considerable volumes is important to IUSI. With the hot rolled coiled steel production capacity added in 1995 and additional capacity being added in 1996, the Company believes there will be adequate levels of supply and stable prices for the foreseeable future. The Company can hedge its position on steel prices on a contract-to-contract basis, as appropriate.

Transportation costs are another significant item for IUSI and the Company would be affected by changes in freight rates for coiled steel and finished poles. IUSI is mitigating this potential risk by locating its manufacturing facility close to its suppliers and customers. The Company also has the option of using rail or trucking for its transportation so a competitive situation has been established.

IUSI produces its poles using an environmentally inert process. The Company prides itself in meeting or exceeding environmental regulations in all aspects of its business.

Business Prospects

Outlook: The Company is experiencing operating losses as it develops the market for its round tapered steel poles. For the first part of 1996, IUSI will continue to be affected by the high transportation costs associated with the location of its plant in Western Canada. After it moves the plant to Arkansas, closer to suppliers and markets, the Company's transportation costs will fall sharply and contribution margins will increase. The new manufacturing facility is scheduled to be operating before the end of the second quarter of 1996.

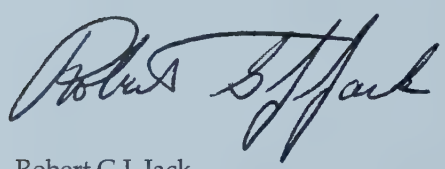
The Company is encouraged that its backlog of orders for poles is growing. Production volumes are expected to increase throughout 1996.

IUSI has a strong cash position, is building its marketing network and moving its plant close to markets and suppliers. By taking these steps, IUSI has positioned itself for significant growth.

To the Shareholders of International Utility Structures Inc.

The consolidated financial statements of International Utility Structures Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this Annual Report is consistent with that shown in the financial statements.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the financial statements. The Audit Committee, comprised of non-management directors, has met with the external auditors and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. The Audit Committee has reported its findings to the Board of Directors and the Board has approved the consolidated financial statements.



Robert G.J. Jack

President & Chief Executive Officer

Donald R. Ballance

Vice-President, Finance

March 25, 1996

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of International Utility Structures Inc. as at December 31, 1995 and 1994 and the consolidated statements of operations and retained earnings (deficit) and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants

Vancouver, Canada

February 21, 1996

International Utility Structures Inc.
Consolidated Balance Sheets

December 31, 1995 and 1994	**1995**	1994
Assets		
Current assets:		
Cash	**$ 14,174,365**	$ 4,046,567
Cash held in trust	**–**	250,000
Accounts receivable	**312,832**	722,900
Income taxes receivable (note 7)	**1,034,172**	402,807
Inventories (note 2)	**1,042,633**	1,169,752
Prepaid expenses	**59,393**	234,433
	16,623,395	6,826,459
Plant and equipment (note 3)	**4,435,631**	4,563,540
Deferred product development costs	**1,957,948**	1,717,773
	$ 23,016,974	$ 13,107,772
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 789,548**	$ 744,679
Payable to Western Economic Diversification (note 4)	**–**	1,231,714
Provision for contract completion costs (note 5)	**1,044,468**	1,241,656
	1,834,016	3,218,049
Deferred income taxes	**–**	563,000
	1,834,016	3,781,049
Shareholders' Equity:		
Capital stock (note 6)	**23,835,158**	8,208,463
Retained earnings (deficit)	**(2,652,200)**	1,118,260
	21,182,958	9,326,723
	$ 23,016,974	$ 13,107,772

See accompanying notes to consolidated financial statements.

Approved by the Board:

Robert G.J. Jack
Director

Robert J.S. Gibson
Director

International Utility Structures Inc.
Consolidated Statements of Operations and Retained Earnings (Deficit)

Years ended December 31, 1995 and 1994	**1995**	1994
Sales	**$ 2,174,354**	$ 644,419
Cost of sales	**2,447,991**	336,910
Gross profit (loss)	**(273,637)**	307,509
Plant operating costs	**902,073**	313,546
Selling and administrative expenses	**2,416,362**	2,136,731
Depreciation and amortization	**690,553**	280,730
Interest and other income	**(115,478)**	(255,613)
Reduction in contract completion costs (note 5)	**–**	(1,219,640)
	3,893,510	1,255,754
Loss before income taxes	**(4,167,147)**	(948,245)
Deferred income taxes (recovery) (note 7):	**(563,000)**	(318,000)
Loss	**(3,604,147)**	(630,245)
Retained earnings, beginning of year	**1,118,260**	1,866,809
Dividends - preferred shares (note 6)	**(166,313)**	(118,304)
Retained earnings (deficit), end of year	**$ (2,652,200)**	$ 1,118,260
Loss per share	**$ (0.46)**	$ (0.09)

See accompanying notes to consolidated financial statements.

International Utility Structures Inc.
Consolidated Statements of Changes in Financial Position

Years ended December 31, 1995 and 1994	**1995**	1994
Cash provided by (used in):		
Operations:		
Net loss	**$ (3,604,147)**	$ (630,245)
Depreciation and amortization	**690,553**	280,730
Deferred income taxes (recovery)	**(563,000)**	(318,000)
	(3,476,594)	(667,515)
Change in non-cash operating working capital	**(71,457)**	(1,949,578)
	(3,548,051)	(2,617,093)
Financing:		
Repayment of Western Economic Diversification loan	**(1,231,714)**	(84,018)
Repayment of note payable	**–**	(250,000)
Proceeds from issue of common shares	**15,436,911**	5,634,706
Proceeds from issue of preferred shares	**189,784**	1,544,225
Preferred share dividends	**(166,313)**	(118,304)
	14,228,668	6,726,609
Investments:		
Purchase of plant and equipment	**(562,644)**	(1,011,537)
Deferred product development costs incurred	**(240,175)**	(1,717,773)
	(820,819)	(2,729,310)
Increase in cash	**9,877,798**	1,380,206
Cash, beginning of year	**4,296,567**	2,916,361
Cash, end of year	**$ 14,174,365**	$ 4,296,567

Cash is defined as cash and cash held in trust.

See accompanying notes to consolidated financial statements.

Years ended December 31, 1995 and 1994

1. Significant accounting policies:

(a) Principles of consolidation:

These financial statements consolidate the accounts of International Utility Structures Inc. (the "Company") and its wholly-owned United States subsidiary which provides marketing services for the Company and its inactive subsidiary companies, all of which are directly or indirectly wholly-owned.

(b) Inventories:

Inventories of finished goods and work-in-process are valued at the lower of cost and net realizable value.
Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

(c) Plant and equipment:

Plant and equipment are carried at cost.

The rates of depreciation applied to write off the cost less estimated salvage values of plant and equipment over their estimated lives, commencing in the month following acquisition or the asset being put to use, are as follows:

Asset	Basis	Rate
Plant and equipment	Straight-line	10% - 20%
Furniture and equipment	Straight-line	20%
Leasehold improvements	Straight-line	Duration of lease

(d) Deferred development costs:

Direct development costs, including engineering salaries, production of test poles and the development of the manufacturing process have been deferred and will be amortized on an increasing basis utilizing the sum of the years' digits method over a five year period commencing January 1, 1996 as this is when sales of these poles is anticipated to commence.

2. Inventories:

	1995	1994
Finished goods and work-in-process	$ 133,461	$ 152,026
Materials and supplies	909,172	606,466
Inventory in transit	–	411,260
	$ 1,042,633	$1,169,752

3. Plant and equipment:

1995	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 5,138,503	$ 986,736	$ 4,151,767
Furniture and equipment	350,083	103,354	246,729
Leasehold improvements	207,449	170,314	37,135
	$ 5,696,035	$ 1,260,404	$ 4,435,631

1994	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 4,629,736	$ 403,122	$ 4,226,614
Furniture and equipment	304,028	59,417	244,611
Leasehold improvements	203,201	110,886	92,315
	$ 5,136,965	$ 573,425	$ 4,563,540

4. Payable to Western Economic Diversification:

The non-interest bearing loan from the Government of Canada was fully repaid in 1995.

5. Provision for contract costs:

In December 1991 the Company entered into a contract with the National Electrical Administration ("NEA"), an agency of the Government of the Republic of the Philippines, to fabricate and export to the Philippines approximately 84,000 steel utility poles. The contract continued throughout 1992 and in mid-1993 the Company completed the manufacture of all of the poles required under the contract. However, due to administrative and operational issues within NEA, full delivery of all product as specified under the contract could not be made. In addition, approximately 3,000 poles fabricated by a subcontractor to the Company, and subsequently identified as being defective, may require replacement. Accordingly, a provision for all future costs which may be required to fulfill the Company's obligations under this contract has been made in these financial statements.

Under separate arrangements with NEA, outside of the scope of the original contract, the Company incurred certain expenses on NEA's behalf including freight, demurrage and storage charges. These charges are recoverable from NEA, either directly, or by offset through reduction in the scope of the contract with NEA. Consequently, costs incurred by the Company on behalf of NEA have been included in these financial statements as a reduction of the provision for costs required to complete the NEA contract.

Amounts payable in respect of future contract completion costs and amounts receivable from NEA are as follows:

	1995	1994
Provision for future costs to complete the NEA contract	$ 2,461,296	$ 2,461,296
Less: Costs incurred by the Company on behalf of NEA	(1,416,828)	(1,219,640)
Net provision	$ 1,044,468	$ 1,241,656

The resolution of amounts owing under the contract less amounts recoverable, is subject to future negotiation. In this circumstance, management has made an estimate based on all current information of the net provision required. However, the actual costs to be incurred to satisfy the contract, less amounts to be received as reimbursement of expenses on NEA's behalf, may vary from the net provision. Any differences arising upon settlement of these amounts will be included in the determination of income in the period of settlement.

6. Capital stock:

Authorized:

Unlimited common shares, without par value

Unlimited preferred shares, issuable in series

5,000 shares designated as fixed, cumulative, redeemable preferred shares, Series 2, with dividends at an annual rate of 6% of the subscription price, authorized under an Immigrant Investor Offering Memorandum (the "Offering Memorandum"), dated March 31, 1993

Issued:	Number of shares	Amount
Preferred Series 2:		
Balance, December 31, 1993	1,000,000	$ 879,013
Issued for cash	1,750,000	1,544,225
Balance, December 31, 1994	2,750,000	2,423,238
Issued for cash	250,000	189,784
Balance, December 31, 1995	3,000,000	2,613,022
Common shares:		
Balance, December 31, 1993	5,158,450	150,519
Issued for cash	2,063,402	5,634,706
Balance December 31, 1994	7,221,852	5,785,225
Public offering for cash	3,845,000	15,436,911
Balance, December 31, 1995	11,066,852	21,222,136
Total share capital December 31, 1995		$ 23,835,158

During the year, 250 preferred series 2 shares were issued for cash.

Series 2 preferred shares are held by an Escrow Agent for a five year holding period. For 45 days following the holding period, the Company will provide an option to the preferred shareholder to convert the $1,000 preferred shares into common shares at $3.825 per common share. If at the expiry of this option period the conversion has not been exercised, the preferred share will be redeemed at $1,000 per share.

On September 27, 1995 the Company subdivided its then outstanding Common Shares on a 11 for one basis. The subdivision of shares has been reflected in these statements as at December 31, 1993 for comparative purposes.

During 1994, 2,067,402 shares were issued for net proceeds of 5,634,706. On November 23, 1995 the Company completed an initial public offering of 3,845,000 common shares and 2,127,500 warrants to purchase common shares at $5.25 per share up to December 31, 1997. The gross proceeds of the issue amounted to $17,465,000 with costs of issue of $1,968,089 which has been charged to equity.

At December 31, 1995, the 2,127,500 warrants to purchase common shares, issued in the initial public offering, were outstanding.

Under the employee incentive stock option plan, there were 780,000 stock options granted in 1995 and outstanding at December 31, 1995, exercisable at 4.25 per common share until November 12, 2005. A further 294,185 common shares have been reserved for future issue under the employee incentive stock option plan.

7. Income taxes:

The Company has filed for federal investment tax credits in respect of Scientific Research and Experimental Development expenditures in the amount of $1,034,172 for the years 1993 and 1994. These filings are subject to audit and review by Revenue Canada. Since there can be varying interpretations of the regulations surrounding Scientific Research and Experimental Development expenditures, there is no assurance that the full amount of these refunds will be received. The Company received a refund as a result of expenditures incurred in 1992.

At December 31, 1995 the full amount of the claimed refund of $1,034,172 is included as a receivable in current assets. The balance sheet accounts, plant and equipment and deferred product development costs have been reduced by the amount of the claimed refund. If less than the full refund is ultimately received from Revenue Canada the effect would be to increase the same balance sheet accounts of plant and equipment and deferred product development costs by the amount of the shortfall.

Income tax recovery varies from the amounts that would be computed by applying the basic federal and provincial income tax rates at 44.6% (1994 - 43.5%) to loss before income taxes. The reasons for the differences are as follows:

	1995	1994
Computed tax recovery	$ (1,866,882)	$ (412,487)
Increase (decrease) in taxes resulting from:		
Investment tax credit on scientific research claimed	–	(306,060)
Loss carryforward benefit not recorded in the financial statements	1,303,882	372,428
Other	–	28,119
	$ (563,000)	$ (318,000)

8. Subsequent event:

Subsequent to year end, the board of directors approved the relocation of the Company's manufacturing facility to Arkansas in the USA to locate its operations closer to its markets and suppliers. The relocation will occur in 1996 at an estimated cost of $1.2 million.

Directors, Officers and Senior Management

Senator Jack Austin, Q.C.(3)
Director

John S. Burns, Q.C.(3)
Director

Robert J.S. Gibson(1)(2)
Director

Robert G.J. Jack(1)
Director, President & Chief Executive Officer

Brian G. Kenning(1)(2)
Director - Chairman

Terrence A. Lyons(1)(2)
Director

David B. Olsen(3)
Director

Edward R. Pitts
President, U.S. Operations

William G. Crossley
Executive Vice President

Stanley G. Cox
Vice President Engineering, Research & Development

Donald R. Ballance, CA
Vice President, Finance & Administration

Ann M. Mooney
Corporate Secretary

Meryl McGonigle
Plant Manager

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee

Corporate Information

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KPMG Peat Marwick Thorne
Calgary, Alberta

Legal Counsel
Bennett Jones Verchere
Calgary, Alberta

Registrar and Transfer Agent
Montreal Trust Company
Calgary, Alberta

Stock Exchange Listing
Alberta Stock Exchange
Trading Symbol
Common Shares – IUS
Warrants – IUS.WT

Share Trading Summary

IUSI became a public company on November 27, 1995. Monthly trading is as follows:

	High	Low	Close	Volume
December 1995	4.350	4.150	4.250	198,873
January 1996	4.500	3.750	4.000	85,230
February 1996	4.000	3.750	4.000	69,850
March 1996	4.250	3.750	3.750	251,050

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